to see the feeder switch its allegiance to a different trunk. The trunk carriers needed to stabilize their feeder arrangements, and did so by taking equity positions in the smaller carriers.

**Strong Airline Alliances Involving Equity Swaps.** This strategy might be referred to as the "strong alliance" option. Carriers of different countries maintain their own corporate identity, but they are affiliated in order to provide a global service network. In order to take full advantage of the potential of the global network, the component carriers will need to engage in much coordination of their marketing efforts. This will include routing decisions, schedule timing, the establishment of joint fares, code sharing in CRS data bases, common frequent flyer programs (where allowed), some coordination of dynamic seat management decisions, etc. There could also be coordination on the cost side, with joint purchasing of fuel, catering services, and possibly aircraft. Ground services would be rationalized. In order to take advantage of these benefits, the carriers will need to make substantial investments, or to reluctantly give up some previous functions (or routes) to the other carrier. Such undertakings are not easily made, and can only be justified when a strong commitment is given by all parties.

A logical form for this commitment involves an equity stake of one carrier in another, or possibly mutual equity stakes. There is precedence for this in the relationship between a trunk carrier and its turboprop feeder carriers. After experiencing problems in the early 1980s with feeder carriers changing which trunk they were affiliated with, the U.S. trunks took minority equity stakes in their feeders in order to make the relationship more permanent. In many cases, the more permanent relationship resulted in substantial investment and expansion by the regional carrier. The same procedure could be employed for alliances between trunk carriers of different countries. In some